



City of Wichita Park and Recreation Department Golf Division

Park Board Presentation

August 15, 2011

Golf Sustainability Review

Review

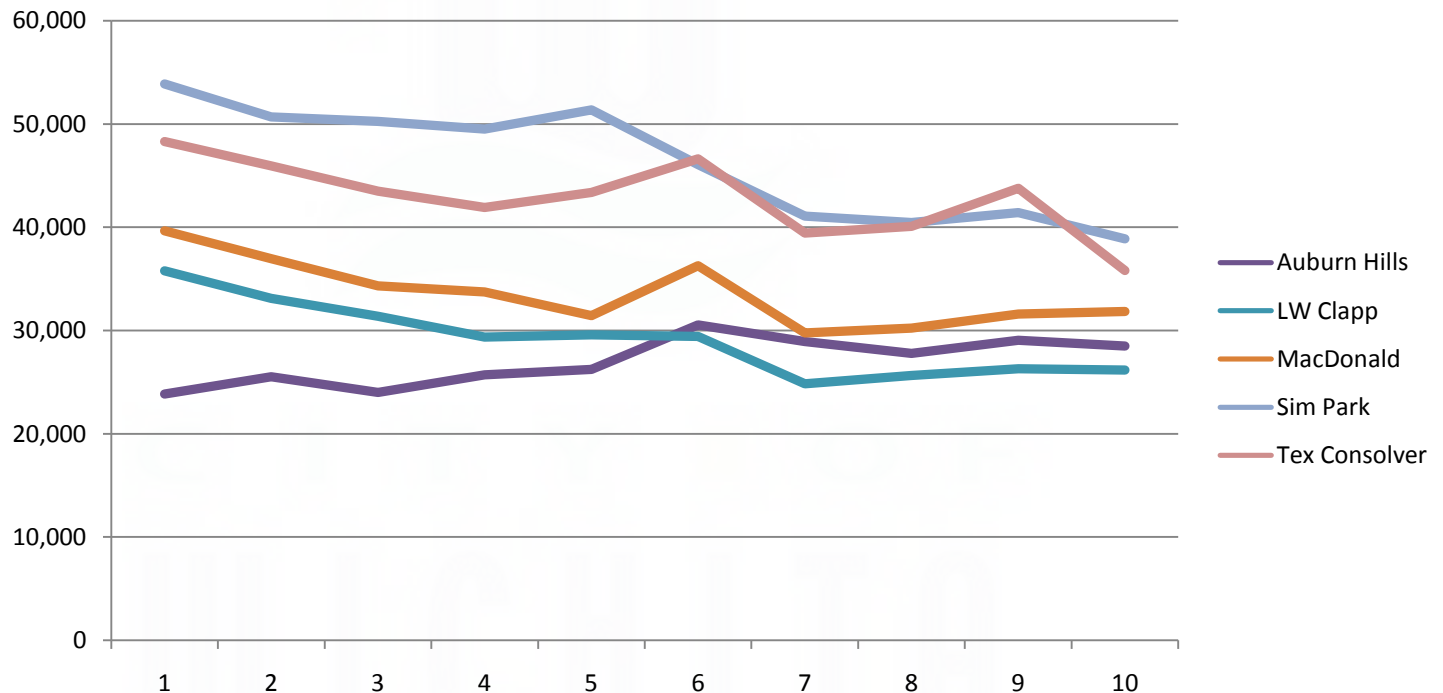
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	Number of Rounds Played									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	*2010
Population	344,284	352,878	354,674	354,261	353,090	354,340	356,299	360,729	366,046	366,046
Total Rounds Played	201,396	192,187	183,417	180,214	181,934	188,882	164,013	164,140	172,096	161,179

*Lowest round total in 15 years.



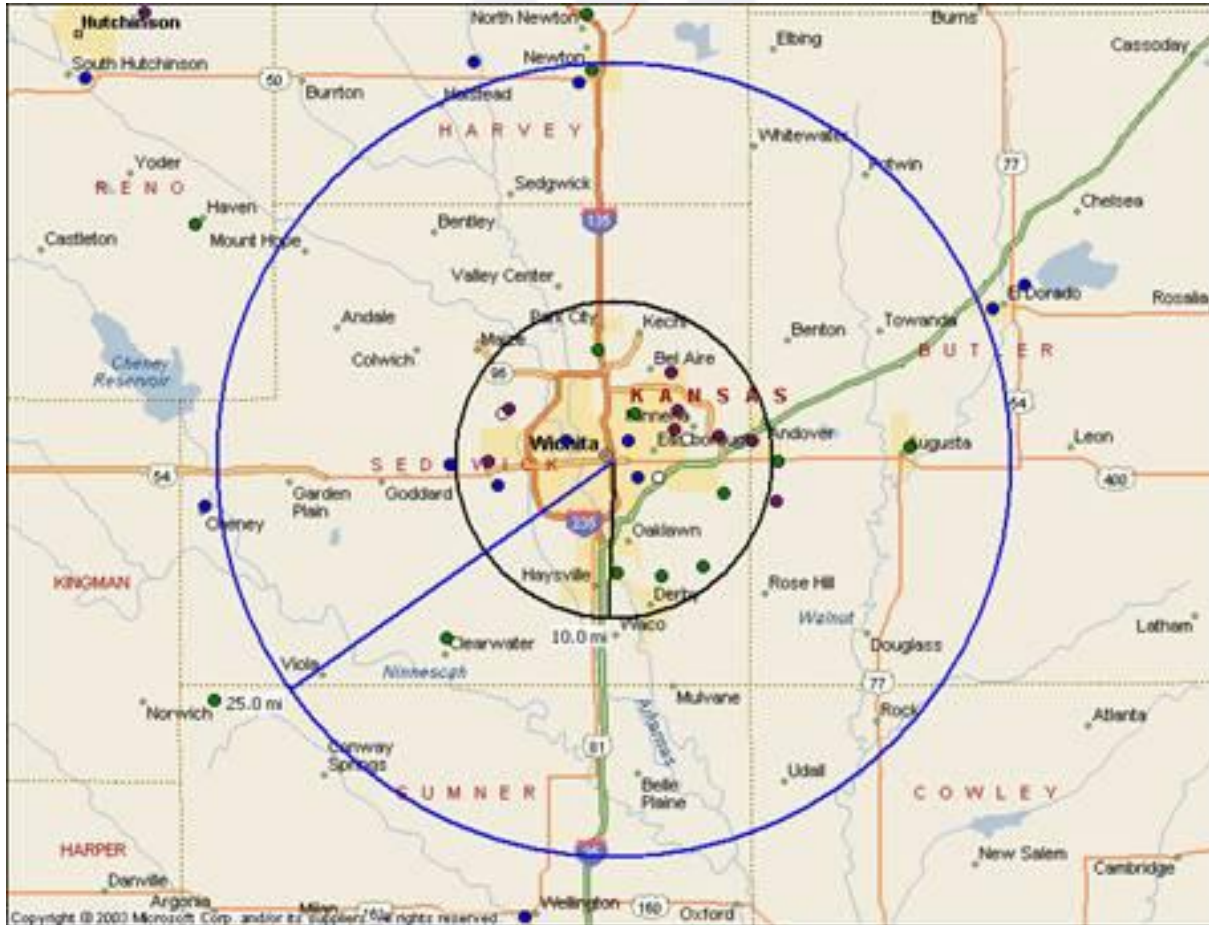
Golf Supply in Wichita

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As of January, 2011, the 10-mile ring has 315 holes of golf, 171 of which are public access. The 25-mile ring contains 405 holes; 243 are public access.

Golf Sustainability Review: Proposed CIP Project Schedule

Planned Improvements	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total by Course
Golf - Auburn Hills Clubhouse Renovation									\$130,000	\$130,000
Golf - Clapp - Clubhouse Construction				\$900,000						\$1,080,000
Golf - Clapp - Parking Lot		\$80,000								
Golf - Clapp Pump Station	\$100,000									
Golf - Consolver - Bunker Renovation					\$500,000					\$1,260,000
Golf - Consolver - Clubhouse Renovation		\$360,000								
Golf - Consolver - Parking Lot		\$400,000								
Golf- MacDonald - Clubhouse Construction							\$1,500,000			\$1,950,000
Golf - MacDonald - Driving Range						\$450,000				
Golf - Sim - Clubhouse Renovation			\$130,000							\$210,000
Golf - Sim - Maintenance Building								\$80,000		
Golf - Cart Bridges									\$1,500,000	\$1,650,000
Golf - Parking Lots	\$150,000									
Total	\$250,000	\$840,000	\$130,000	\$900,000	\$500,000	\$450,000	\$1,500,000	\$80,000	\$1,630,000	\$6,280,000

Review Summary

Review

- While population in Wichita has increased by nearly 40,000 citizens since 2001, golf has seen a decrease of over 40,000 rounds during that same period.

Fund Accounting

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- Golf Supply in Wichita is healthy, more than half of the 23 courses in a 25-mile radius are public access. Many private courses have become semi-private in an effort to increase business.

Policy Considerations

- Capital Improvements help the Golf System to keep courses and clubhouses well kept. If the desire is to shift away from the projected CIP there is a good chance that course allure would decrease as well.

Fund Accounting: Enterprise Fund

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Generally Accepted Accounting Principles (GAAP) requires state and local governments to use the enterprise fund accounts for “**business-type activities**” – activities similar to those found in the private sector. Business type activities include services primarily funded through user charges.

Fund Accounting: Enterprise Fund

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While many other recreation programs are subsidized by the General Fund, the City of Wichita has a long history of **not** subsidizing the Golf System. The system has operated based on internally generated revenues since at least 1978.

Fund Accounting:

Debt Service and Debt Service Fund

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The Debt Service Fund (DSF) references a fund supported by a mill that is dedicated to paying GO Bonds. The DSF has subsidized the Golf System in payment of debt service. This practice, however, is not in line with the DSF's specified purpose.

Enterprise funds are expected to pay for all debt service out of their operating budget. The DSF has paid \$3.8 million in principal over the last 10 year that the Golf System has been unable to pay. City expectations are that the Golf System will repay all DSF money.

Fund Accounting Review

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- **State law requires Enterprise Funds are used for “business-type activities. This means revenue comes from user fees and charges, not from taxes.**
- **The Golf System has a long history of functioning without City subsidies.**
- **The Golf System has made all interest payments on existing debt service. However, the Golf System has been unable to make full principal payments on said debt service. Therefore, the Debt Service Fund (a taxpayer supported fund) has made up the difference on principal payments. Current expectations are that the Golf System will pay back the Debt Service Fund over time.**

Pro-Forma:

What is a Pro-Forma?

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A Latin term meaning “for the sake of form.” In the financial world, it describes a method of calculating financial results in order to emphasize current and projected figures.

The following Pro-Forma has several elements to discuss:

Net Operating Margin – Reflects the difference between Golf Revenues and Operating Costs

Interest and Principal – Reflects the current payment schedule for remaining debt service on Auburn Hills (to conclude in 2015)

DSF Payback – Refers to the scheduled repayment to the Debt Service Fund

New Debt Service – References the new debt service as a result of the projected Capital Improvement Plan

Net Margin – Reflects the difference between Net Operating Margin and Total Debt Service.

Ending Cash Balance – Reflects the cumulative impact of the annual negative net margins and is typically used to cover expenses at the beginning of the following year.

Pro-Forma: Explanation

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(in millions)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Golf Revenues	\$4.136	\$4.204	\$4.288	\$4.374	\$4.466	\$4.555	\$4.645	\$4.738	\$4.832	\$4.929	\$5.027
Operating Costs	\$3.773	\$3.978	\$4.116	\$4.220	\$4.327	\$4.437	\$4.550	\$4.666	\$4.785	\$4.907	\$5.032
Net Operating Margin	\$0.363	\$0.226	\$0.172	\$0.154	\$0.139	\$0.118	\$0.095	\$0.072	\$0.047	\$0.022	(\$0.005)

Net Operating Margin – Reflects the difference between Golf Revenues and Operating Costs.

Total Debt Service											
(in millions)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Interest	\$0.184	\$0.092	\$0.075	\$0.056	\$0.039	\$0.021					
Principal	\$0.102	\$0.555	\$0.590	\$0.620	\$0.660	\$0.695					
DSF Payback							\$0.250	\$0.250	\$0.250	\$0.250	\$0.250
New Debt Service			\$0.069	\$0.138	\$0.151	\$0.216	\$0.305	\$0.365	\$0.493	\$0.593	\$0.621

Interest and Principal – Reflects the current payment schedule for remaining debt service on Auburn Hills (to conclude in 2015).

DSF Payback – Refers to the scheduled repayment to the Debt Service Fund.

New Debt Service – References the new debt service as a result of the projected Capital Improvement Plan.

Pro-Forma: Explanation

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(in millions)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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DSF Payback	-	-	-	-	-	-	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250
New Debt Service	-	-	\$0.069	\$0.138	\$0.151	\$0.216	\$0.305	\$0.365	\$0.493	\$0.593	\$0.621
Total Debt Service	\$0.286	\$0.647	\$0.734	\$0.814	\$0.850	\$0.932	\$0.555	\$0.615	\$0.743	\$0.843	\$0.871
Net Margin	\$0.077	(\$0.421)	(\$0.562)	(\$0.660)	(\$0.711)	(\$0.814)	(\$0.460)	(\$0.543)	(\$0.696)	(\$0.821)	(\$0.876)
Ending Cash Balance	\$0.504	\$0.083	(\$0.479)	(\$1.139)	(\$1.850)	(\$2.664)	(\$3.124)	(\$3.667)	(\$4.363)	(\$5.184)	(\$6.060)

Net Margin – Reflects the difference between Net Operating Margin and Total Debt Service.

Ending Cash Balance – Reflects the cumulative impact of the annual negative net margins and is typically used to cover expenses at the beginning of the following year.

Pro-Forma: Term Explanation

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Existing Long Term Debt – Reflects the debt based on previously issued bonds. As of 2010, the outstanding bonds for Auburn Hills debt have a balance of \$3.12 million, will be paid in full by 2015.

New Long Term Debt – Reflects anticipated bond sales to finance new CIP projects.

Total DSF Balance – This amount reflects the Golf Fund liability to the Debt Service Fund for previous principal amounts the Golf Fund was unable to make.

CIP Expenditures – A summation of the projects proposed by the Park Department staff as part of the development of the 2011-2020 CIP.

Pro-Forma

(in millions)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Golf Revenues	\$4.136	\$4.204	\$4.288	\$4.374	\$4.466	\$4.555	\$4.645	\$4.738	\$4.832	\$4.929	\$5.027
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Net Operating Margin	\$0.363	\$0.226	\$0.172	\$0.154	\$0.139	\$0.118	\$0.095	\$0.072	\$0.047	\$0.022	(\$0.005)
Interest	\$0.184	\$0.092	\$0.075	\$0.056	\$0.039	\$0.021	-	-	-	-	-
Principal	\$0.102	\$0.555	\$0.590	\$0.620	\$0.660	\$0.695	-	-	-	-	-
DSF Payback	-	-	-	-	-	-	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250
New Debt Service	-	-	\$0.069	\$0.138	\$0.151	\$0.216	\$0.305	\$0.365	\$0.493	\$0.593	\$0.621
Total Debt Service	\$0.286	\$0.647	\$0.734	\$0.814	\$0.850	\$0.932	\$0.555	\$0.615	\$0.743	\$0.843	\$0.871
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Ending Cash Balance	\$0.504	\$0.083	(\$0.479)	(\$1.139)	(\$1.850)	(\$2.664)	(\$3.124)	(\$3.667)	(\$4.363)	(\$5.184)	(\$6.060)
Existing Long Term Debt	\$3.120	\$2.565	\$1.975	\$1.355	\$0.695	-	-	-	-	-	-
New Long Term Debt	-	-	\$0.501	\$0.955	\$0.957	\$1.322	\$1.808	\$2.021	\$2.680	\$3.098	\$2.709
Total DSF Balance	\$3.839	\$3.839	\$3.839	\$3.839	\$3.839	\$3.839	\$3.589	\$3.339	\$3.089	\$2.839	\$2.589
Total Golf System Debt	\$6.959	\$6.404	\$6.315	\$6.149	\$5.491	\$5.161	\$5.397	\$5.360	\$5.769	\$5.937	\$5.298
CIP Expenditures	-	-	\$1.010	\$0.080	\$0.130	\$0.900	\$0.500	\$0.450	\$1.580	-	\$1.630



Pro-Forma Summary

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- The Golf Fund has a positive operating margin.
- The Golf Fund is unable to make the full debt service payment of principal. To date has been able to pay full amount of interest.
 - The Debt Service Fund is funded through tax dollars and is currently making debt service payments for the remaining amount of principal the Golf Fund is unable to pay.
- Based on the financial data, by the year 2020, the Golf System will be operating at a negative, losing nearly \$900,000 each year, and be over \$6 million dollars in debt.
- As things stand now, the Golf System is unsustainable. Changes must be made in order to help the Golf Fund meet current and future obligations.

Policy Considerations

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**Policy
Considerations**



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The logo of the City of Wichita is centered in the background. It features a stylized purple 'W' with a yellow sun rising behind it and two green wavy lines below. A yellow diagonal line crosses the 'W'.

Questions?

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